



The United States and Europe: Current Issues

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Summary

Overlapping values and shared interests give the United States and Europe what some observers consider to be the world's most complete partnership. In terms of security and prosperity, analysts assert that the two sides have grown increasingly interdependent. Transatlantic relations during the Bush Administration were marked by tensions over the invasion of Iraq and disagreements on a number of other issues, although the administration's second term featured a substantial improvement in the relationship compared to the first four years. The majority of Europeans warmly welcomed President Barack Obama to office, and his popularity may present opportunities for the United States and Europe to address the common set of global challenges they face. Prior to the 2008 election, European leaders outlined their priorities for U.S.-European cooperation as the Middle East peace process, civil-military cooperation in Afghanistan, relations with Russia, and multilateral diplomacy through the United Nations and other international organizations. Transatlantic cooperation is strong on many such key issues, but some divisions, tensions, and shortcomings also exist.

A number of shared foreign policy challenges involve the Wider Middle East region. In Afghanistan, governance and security conditions remain serious concerns. President Obama is shifting U.S. focus to Afghanistan, and how Europe responds to U.S. requests for greater commitments will be an important tone setter in transatlantic relations. With a nuclear Iran deemed an unacceptable danger to regional stability by many officials and analysts, the United States and the European Union (EU) continue to seek a way to halt Iran's uranium enrichment activities. The United States and the EU have renewed their attention to the Israeli-Palestinian conflict, and both advocate the negotiation of a "two-state" political settlement. Many experts, however, observe that current circumstances do not easily lend themselves to a revived peace process. In Iraq, optimism accompanies the recent improvements in security conditions. While work remains in terms of political reconciliation, security, and reconstruction, there are indications that political and economic ties between Europe and Iraq may be expanded.

A range of other issues also rank high on the transatlantic agenda. As the world economy moves center stage in 2009, the global financial crisis poses difficult challenges to both sides and raises concerns about the adoption of protectionist policies. While some transatlantic trade disputes persist, efforts are on-going to reduce non-tariff barriers and increase regulatory convergence. Europe has set ambitious standards in climate change policy. With expectations that the Copenhagen conference in December 2009 might produce a successor treaty to the Kyoto Protocol, many Europeans are hopeful that the United States will adopt new climate change legislation that could contain binding greenhouse gas emissions targets. U.S.-EU counterterrorism cooperation has been strong since the terrorist attacks of 9/11, although some Europeans have objected to aspects of U.S. policies. Recent U.S. initiatives, including the planned closure of the Guantánamo Bay detention facility, may diminish such European concerns. The decision to admit additional EU countries to the U.S. Visa Waiver Program in late 2008 helped defuse European discontent over visa reciprocity issues. Lastly, relations between the West and Russia have grown increasingly tense in recent years, with issues such as energy and missile defense serving as points of irritation and contention. Common approaches to Russia—among U.S. policymakers, within Europe, and across the Atlantic—have proven difficult to formulate. This report examines the current state of the transatlantic relationship and discusses the key issues outlined above, which may have implications for U.S. interests during the 111th Congress.

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The Current State of U.S.-European Relations

The Ties That Bind

Overlapping values and shared interests give the United States and Europe what some observers describe as the world's most complete partnership.¹ By almost any measure, the institutional pillars of the Euro-Atlantic community—NATO and the European Union (EU)—have proven a great success in promoting prosperity, security, and stability in Europe. The U.S. Congress and successive U.S. administrations have strongly supported both institutions as means to foster democratic states, reliable military allies, and strong trading partners.

Many observers stress that in terms of security and prosperity the United States and Europe have grown increasingly interdependent. Both sides of the Atlantic face a common set of challenges, including terrorism and transnational crime, weapons proliferation, energy security, climate change and environmental degradation, the destabilizing effects of failing and rogue states, and instability in global financial markets. Both sides are proponents of democracy, open societies, human rights, and free markets. Supporters of close U.S.-European cooperation argue that neither the United States nor Europe can adequately address such an agenda alone, and that the track record shows that the two sides can accomplish much more when they work together.

Together, U.S. and European military forces are promoting stability in Afghanistan and the Balkans and U.S. and European law enforcement authorities are working to uncover terrorist cells in Europe and elsewhere. The United States and the EU also share a mutually beneficial trade and investment relationship, and U.S.-EU cooperation has been critical in liberalizing the world trading system. The current global financial and economic crisis is affecting the transatlantic economic relationship and could test the strength of the political relationship.

This report discusses nine broad topics selected as key issues in U.S.-European interests and relations. It does not represent a full survey of what would be a very long list of global issues that relate to important U.S. and European interests. For example, the United States and Europe share concerns about democratization in countries like Belarus and others around the world. Both sides share concerns about stability in the Balkans, Ukraine, Georgia, the Caucasus region and central Asia. Relations with countries such as China, India, and Turkey, as well as the countries of Africa, are of great importance to both. While not every such important topic is covered in this report, the nine issues that are presented are intended to capture a broad overview of some of the highest priority items on the transatlantic agenda.

An Evolving Relationship

In 2003-2004, transatlantic and inter-European divisions over the invasion of Iraq pushed relations to an historic low. Although the second term of President George W. Bush featured a marked improvement in the tone of transatlantic relations and close U.S.-European cooperation in a number of important areas, scars of tension over Iraq—as well as U.S. rejection of the Kyoto climate treaty, the “war on terror,” U.S. opposition to the International Criminal Court, and other

¹ See, for example, Simon Serfaty, *The Vital Partnership* (Lanham, MD: Rowman & Littlefield, 2005).

issues—were slow to fade. Many Europeans perceived the policies of the Bush Administration as being too unilateral, too reliant on military force, and too dismissive of international treaties and norms.

President Barack Obama is popular in Europe,² and European expectations are high that the Obama Administration will pursue a multilateral and consultative foreign policy that relies more on diplomacy and instruments of soft power and less on military force. Some commentators warn of the dangers of exaggerated expectations. They warn that just as the United States should be reasonable in what it can expect out of Europe, Europeans will need to be realistic regarding the degree of change President Obama might deliver in terms of U.S. strategy and policy.

The gradual evolution of the European Union adds layers of complexity to transatlantic relations. The competencies of the EU extend from a wide range of economic and social issues, through the still nascent Common Foreign and Security Policy (CFSP) and European Security and Defense Policy (ESDP), and into justice and home affairs. On many of these issues, the U.S.-EU relationship is now more important than the U.S. bilateral relationships with any of the 27 individual EU member states.

This year the EU will push to adopt the Lisbon Treaty, which would streamline institutional arrangements and decision making procedures, and introduce reforms for a stronger and more coherent political and foreign policy voice. Also in 2009, elections will be held for the European Parliament, leading to the appointment of a new European Commission. While the identities and influence of individual member states and regions will undoubtedly remain strong, integration has slowly created an emerging European identity among Europe's citizens.

NATO, too, is often said to be in the midst of a significant evolution. Since the end of the Cold War, the Alliance has added ten new member states from central and eastern Europe. Also during this time, NATO has sought to re-define its mission. Some members maintain that NATO should return to focusing on collective territorial defense and deterrence, while others believe NATO's relevance depends on "out-of-area" expeditionary operations.

While NATO has worked to transform itself and develop new capabilities, most observers contend that more resources are needed should NATO decide to fully commit itself to challenges such as stabilization and reconstruction operations, crisis management, counterterrorism, energy security, and cyber security. Many are hopeful that the April 2009 summit marking NATO's 60th anniversary will lead to the writing of a new NATO Strategic Concept that provides an updated vision for the Alliance.

² See, for example, "World Leaders Opinion Barometer," conducted by *Harris Interactive* for *France 24* and the *International Herald Tribune* from January 8-19 and released February 6, 2009, <http://www.iht.com/pdfs/africa/poll.pdf>. Those answering that they held a "very good" or "somewhat good" opinion of Obama were 88% in France, 87% in Italy, 84% in Germany, 82% in Spain, and 70% in the UK.

Key Issues in U.S.-European Relations

Afghanistan³

President Obama has put Afghanistan at the top of his administration's foreign policy priorities, and is shifting U.S. military and strategic focus to the mission there. How Europe responds to U.S. requests for greater commitments will be an important tone setter in transatlantic relations.

NATO's International Security Assistance Force (ISAF) is a stabilization mission that supports the reconstruction of Afghanistan and the development of the Afghan government, army, and police. ISAF consists of just under 62,000 troops from 42 countries, including all 26 members of NATO.⁴ More than seven years after the fall of the Taliban, however, the Afghan economy, security forces, and central government remain well short of self-sufficiency. A resilient Taliban and other insurgent groups continue to undermine stability in many areas of the country, and the rate of violent incidents nationwide has been increasing from year to year. Many officials and expert observers on both sides of the Atlantic assert that success or failure in Afghanistan hangs in the balance, and that the next two or three years will be decisive.

In addition to the nearly 30,000 U.S. troops under ISAF, the United States has approximately 13,000 more soldiers deployed in Afghanistan as part of Operation Enduring Freedom (OEF), a counterinsurgency and combat-oriented mission based predominantly along the Pakistani border. President Obama recently announced that 17,000 additional U.S. troops will be deployed to Afghanistan in the first half of 2009, part of a troop increase expected to total 20,000 to 30,000. U.S. and NATO officials have repeatedly called for greater troop and equipment contributions from some of the European allies, and the U.S. increase raises some expectations that Europe should do more. Many European countries, however, argue that they face difficult constraints on making further commitments, including shortfalls in military resources and capabilities, and weak public or parliamentary support for additional contributions. In any case, some experts suggest that Europe might make greater contributions in terms of vital civilian capabilities: assisting infrastructure projects; police, judiciary, and civil service training; economic development; and the development of health and education systems.

The use of "national caveats"—restrictions that some governments place on their troops to prevent them from engaging in combat operations—has been a sore spot within the alliance. Critics assert that such policies could lead to a two-tiered NATO, with some member states providing combat troops and others providing peacekeepers and development assistance. Some discern this trend in the fact that U.S., UK, Dutch, and Canadian troops bear the vast majority of combat in the country's most volatile regions. Some European countries with significant involvement in ISAF are concerned that greater "Americanization" of the mission could come at the expense of Allied input and consultation in strategic decision-making. There are perceptions among some Europeans that U.S. tactics in Afghanistan often rely too much on military force versus a more comprehensive approach that integrates civilian and military capabilities.

³ For more information see CRS Report RL33627, *NATO in Afghanistan: A Test of the Transatlantic Alliance*, by Vincent Morelli and Paul Belkin.

⁴ As of March 13, 2009, "International Security Assistance Force and Afghan National Army strength & laydown," *NATO website*, http://www.nato.int/isaf/docu/epub/pdf/isaf_placemat.pdf.

Some analysts have noted that overall aid efforts to Afghanistan are poorly coordinated, and that there is no clear strategic consensus on the exact balance of security, governance, economic sufficiency, and social welfare that constitutes sustainable success. There is, however, a growing belief among policymakers that any solution in Afghanistan requires a comprehensive regional strategy that incorporates Pakistan as well. With insurgent groups using cross-border safe havens to launch attacks on coalition forces, the United States and Europe have come to increasingly realize that security in Afghanistan is also linked to sources of instability facing the Pakistani government.

Iran⁵

Transatlantic cooperation regarding Iran has been close and extensive, with Europe leading direct negotiations with Tehran. The United States and the European Union are seeking to halt Iran's uranium enrichment activities, which continue in defiance of the international community. Iran asserts that its nuclear activities are for peaceful, civilian energy purposes and that it has the right to develop such capabilities.

Although the 2007 U.S. National Intelligence Estimate (NIE) concluded that Iran suspended its nuclear weapons program in 2003, the United States and European governments maintain that Iran's on-going enrichment of uranium gives it the potential to assemble nuclear weapons in a relatively short span of time. The International Atomic Energy Agency (IAEA) continues to complain of Iranian non-cooperation in monitoring and inspections, and states that it cannot verify that Iran's nuclear activities are strictly for peaceful purposes. Given the current Iranian government's hostility and inflammatory rhetoric towards Israel and the United States, its development of ballistic missiles capable of reaching Europe, and its support for Hezbollah, Hamas, and insurgent groups in Iraq, many officials and analysts consider a nuclear Iran an unacceptable danger to regional stability.

Since the discovery of Iran's covert nuclear activities in 2002, the "EU-3" (France, Germany, and the UK, together with EU foreign policy representative Javier Solana) have played a leading role in diplomatic efforts to curtail them. In 2006, China, Russia, and the United States joined the EU-3 to form the "Permanent Five Plus One" (P5+1) negotiating group. The history of negotiations with Iran consists of a series of proposed incentives packages regarding trade, energy, and political cooperation, offered in return for the abandonment of uranium enrichment. Since 2006, such incentive offers have carried the threat of punitive sanctions to be imposed in case of non-compliance and on three separate occasions the EU-3 and the United States have successfully pushed for United Nations Security Council approval of limited sanctions on Iran (Resolutions 1737, 1747, and 1803).

The Obama Administration has indicated that it may be willing to engage in direct talks with Iran. European leaders have welcomed and encouraged the prospect of such direct engagement on the part of the United States, although they emphasize that it should be closely coordinated within the P5+1 framework. Some feel that Europe-led negotiations may have reached their limit and that U.S. engagement, including discussions about regional security arrangements, could be necessary in order to make any progress. Although the United States has strongly supported EU-3 efforts in this issue, some Americans have pointed to European trade and business ties with Iran and urged

⁵ For more information see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

Europeans to adopt and enforce tighter sanctions, even if outside the UN framework. The EU and a number of member countries have taken some such autonomous measures, but many Europeans prefer to work strictly within the UN process regarding international sanctions. The EU has long opposed the U.S. Iran Sanctions Act (ISA) as an extraterritorial application of U.S. law. In addition, some European governments have been concerned that various proposed U.S. legislation aimed at Iran could harm European energy companies and undermine transatlantic unity in this issue.

Israeli-Palestinian Conflict⁶

Israel's offensive into Gaza in December 2008-January 2009 renewed international attention on the Israeli-Palestinian conflict. While the United States and the EU advocate the negotiation of a political settlement, many experts observe that current circumstances do not easily lend themselves to a revived peace process.

Many Europeans have long considered the Israeli-Palestinian conflict to be the key issue in the Middle East and have called for more engagement on the part of the United States. The Obama Administration's appointment of a high-level Middle East envoy and its increased engagement with Syria, a significant regional influence, have been welcomed in Europe as positive signals of U.S. commitment. The United States and the EU both believe in a "two-state" solution, a settlement that results in a sustainable Palestinian state alongside a secure Israel. More broadly, both also recognize that a settlement to the Israeli-Palestinian conflict is important for stability in the wider Middle East and in the context of combating Islamic radicalization and terrorism. However, despite the creation in 2002 of the Quartet mechanism for promoting the peace process (consisting of the United States, the EU, Russia, and the UN) and the Annapolis conference on the peace process in November 2007, many observers maintain that little progress has been made in recent years.

The peace process is further complicated by Hamas' control over Gaza, which it took over by force in June 2007 following the collapse of the Hamas-Fatah coalition government. The United States and the EU classify Hamas as a terrorist organization and have no direct relations with its leaders.⁷ The United States and the EU maintain political ties with the Palestinians through the Fatah-led Palestinian Authority (PA) which governs the West Bank and is headed by President Mahmoud Abbas. Some have suggested the formation of a Palestinian unity government under Abbas' leadership that would carry on negotiations with Israel, although Hamas' role in any such government would likely be problematic. Egypt has been moderating talks between Fatah and Hamas on the future of the Palestinian government. However, the equation could be complicated even more by the results of Israel's February 2009 election, from which a right-wing coalition government led by Benjamin Netanyahu might emerge. U.S. and European leaders are concerned that such a coalition may not support negotiations or a "two-state" solution, and may not even be interested in a state of ceasefire with Hamas.

⁶ For more information see CRS Report RL33530, *Israeli-Arab Negotiations: Background, Conflicts, and U.S. Policy*, by Carol Migdalovitz; CRS Report R40101, *Israel and Hamas: Conflict in Gaza (2008-2009)*, coordinated by Jim Zanotti; and CRS Report R40092, *Israel and the Palestinians: Prospects for a Two-State Solution*, by Jim Zanotti.

⁷ See the U.S. State Department foreign terrorist organizations (FTO) factsheet, updated April 8, 2008, <http://www.state.gov/s/ct/rls/fs/08/103392.htm> and the EU list of terrorist group and individuals, January 26, 2009 (Council Common Position 2009/67/CFSP), <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:023:0037:0042:EN:PDF>.

The EU is the largest donor of foreign aid to the Palestinians, operates a police training mission in the Palestinian Territories (EUPOL COPPS) and is considering re-starting its Border Assistance Mission (EU-BAM) which monitored the Rafah crossing point into Egypt until going into a standby mode when Hamas took over Gaza. The United States donated over \$700 million for Palestinian assistance from June 2007-December 2008, and may commit over \$900 million more for reconstructing Gaza and strengthening the Palestinian Authority. Both the U.S. and EU take steps to ensure that their aid does not end up with Hamas—aid is delivered directly to the Palestinian Authority or indirectly to the Palestinian people via the United Nations Relief and Works Agency (UNWRA), other international organizations, and non-governmental organizations (NGO). Some experts argue that U.S.-EU efforts to isolate Hamas have actually increased its domestic standing, and some in Europe view engagement and dialogue as a better way to eventually steer Hamas towards the more moderate political mainstream.

Iraq⁸

Many observers maintain that the U.S. troop surge in Iraq, combined with the so-called Sunni Awakening, has succeeded in improving security conditions. There are some signs of a possible forthcoming expansion in European political and economic engagement in Iraq.

The acute transatlantic tensions that were created by the invasion of Iraq are well-known. While most European leaders have voiced that failure in Iraq is not an option, many have been reluctant to engage robustly in reconstruction efforts and Iraq came to be seen in much of Europe as primarily a U.S. (and to a lesser extent a UK) problem and responsibility. The EU does operate a small mission to train Iraqi police, administrators, and judges, mostly outside of the country. The EU has also contributed over \$1 billion in financial aid for Iraq's reconstruction since 2003.

The United States plans to end its combat operations and reduce its forces in Iraq below 50,000 by August 2010, with a complete withdrawal by the end of 2011. Against this backdrop, there is optimism, concern, and uncertainty regarding future security conditions and the process of political reconciliation in Iraq. Serious challenges also remain in terms of physical reconstruction, including major deficiencies in infrastructure and provision of basic services. Addressing these shortcomings may be made more difficult by the effect of low oil prices on Iraqi state revenue and the effect of the global financial crisis on international lending and investment.

In February 2009, visits by French President Nicolas Sarkozy and German Foreign Minister Frank-Walter Steinmeier appeared to signal a growing European interest in expanding political engagement and economic ties with Iraq. Reconstruction presents numerous business and investment opportunities, including in the oil industry. For its part, the Iraqi government has recently expressed interest in widening its international ties in order to decrease reliance on the United States and assert a more independent identity.

⁸ For more information see CRS Report RL31339, *Iraq: Post-Saddam Governance and Security*, by Kenneth Katzman; and CRS Report RL34387, *Operation Iraqi Freedom: Strategies, Approaches, Results, and Issues for Congress*, by Catherine Dale.

Russia⁹

U.S.-Russian relations have grown increasingly tense in recent years, with numerous issues serving as points of irritation and contention. While many of these tensions with Russia are shared by European countries, Europe also has more complex and interdependent relationships with Russia in terms of energy and economics, and EU member states have been unable to agree on a common approach to their eastern neighbor.

In the aftermath of its August 2008 invasion of Georgia, relations between Russia and the West reached what some observers consider their lowest point since the end of the Cold War. For some time, against a background of tensions over Russian opposition to NATO enlargement and Kosovo's independence movement, officials and observers in Europe and the United States have expressed growing concern about what is perceived as the increasingly authoritarian character of the Russian government and its new-found assertiveness and quest for influence in the Russian "Near Abroad" and beyond.

Missile defense and energy have become central issues in relations with Russia, issues that have had a divisive effect within Europe and NATO. Russia has vehemently opposed U.S. plans for missile defense installations in Poland and the Czech Republic. While the United States has said that the system would seek to counter the threat posed by Iran, Russia has maintained that it would weaken the Russian nuclear deterrent. Some European leaders have called for debate about moving ahead with the missile defense plans, especially given skepticism about the system's effectiveness. On the other hand, many strongly wish to avoid the appearance of a Russian veto over NATO countries' defense planning.

Regarding energy, the EU as a whole is dependent on Russia for over a quarter of its gas and oil supplies, a number expected to grow substantially over the next twenty years. For some individual countries, dependence on Russian gas is already much greater.¹⁰ Thus, upstream gas cut offs—as occurred most recently in the dispute between Russia and Ukraine in January 2009—have major implications for wider European energy security. Although this latest dispute was nominally about payment, some analysts have described a trend in which Moscow seems willing to use energy supplies as an instrument of foreign policy. Additionally, in recent years Russia has been actively engaging in bilateral energy deals with a number of European countries and acquiring large-scale ownership of European energy infrastructure, while not applying Western standards of transparency and market reciprocity regarding business practices and investment policy. There is concern in the United States over the influence that Russian energy dominance could have on the ability to present European—and, by consequence, transatlantic—unity when it comes to other issues related to Russia. For this reason, some have expressed the desirability of decreasing European reliance on Russian energy through diversification of supply, and supported European steps to develop alternative sources and increase energy efficiency. Analysts have also advocated the development of a common European energy policy that would push Russia to introduce more competition and transparency in its energy sector.

The Obama Administration has indicated openness to starting a dialogue with Russia from a fresh slate. While Moscow has sent mixed signals to NATO and the United States since President

⁹ For more information see CRS Report RL33407, *Russian Political, Economic, and Security Issues and U.S. Interests*, by Stuart D. Goldman.

¹⁰ See CRS Report RL33636, *The European Union's Energy Security Challenges*, by Paul Belkin.

Obama's election, reports indicate the possibility of a U.S.-Russia dialogue that could include discussion about the U.S. missile defense plans as well as Russian efforts regarding Iran's nuclear program. With the Strategic Arms Reduction Treaty (START) expiring at the end of the year and Russia having withdrawn from the Conventional Armed Forces in Europe (CFE) Treaty at the end of 2007, arms control is also likely to feature on the U.S.-Russian agenda. Russian officials continue to advocate for talks about a new European security architecture. Some analysts view this proposal as an attempt to undermine NATO.

Europe, meanwhile, is divided between those who believe in a firm, aggressive stance toward Russia, and others inclined more toward pragmatism and engagement. Of the former, some see in Russia a potential threat to the political independence and even territorial sovereignty of themselves and neighbors, and look to a U.S. approach that robustly guards against Russian assertiveness. Some argue that energy cut offs to NATO countries could be considered under NATO's Article 5, invoking a collective defense response. Advocates of engagement, on the other hand, assert that the maintenance of extensive ties and constructive dialogue is the most effective way to influence Russia. They argue that Russia should be viewed as a strategic partner and observe that Russian cooperation is important on issues such as Iran, climate change, and arms control.

Counterterrorism

In the years since September 11, 2001, U.S. counterterrorism cooperation with the EU and individual European countries has been strong. New policies introduced or considered by the Obama Administration have likely diminished some European concerns and objections over U.S. counterterrorism practices.

During the Bush Administration, new U.S.-EU agreements were concluded on police information sharing, extradition, mutual legal assistance, container security, and airline passenger data. Bilateral intelligence sharing and close counterterrorism cooperation were established with many key European countries, which may have helped disrupt terrorist plots and apprehend those involved. Nevertheless, many Europeans strongly opposed aspects of the Bush Administration's policies. The detention center at Guantánamo Bay, which Europeans argue degrades shared values regarding human rights and disregards international accords on the treatment of prisoners, has been at the center of this opposition.

Thus, European leaders have welcomed President Obama's announcement that he intends to close the Guantánamo Bay facility within a year of taking office. Obama's executive order banning torture and his initiative to review Bush Administration legal opinions regarding detentions and interrogation methods were also well received across the Atlantic. Nonetheless, challenges remain. Some European states have expressed a willingness to take in detainees released from Guantánamo, whereas others have been reluctant. The Schengen system of passport- and visa-free travel between many European countries has raised some concerns in the EU about accepting detainees.¹¹ However, the decision has been left up to member states to make on an individual basis. The EU has called on the United States to share the information in detainees' files in order to help states decide. The United States has appointed a high-level envoy to help persuade other countries to accept detainees. Beyond Guantánamo, European opposition to the U.S. death

¹¹ The Schengen area includes 22 EU member countries plus Iceland, Liechtenstein, Norway, and Switzerland. Five EU members—Bulgaria, Cyprus, Ireland, Romania, and the United Kingdom—are not part of Schengen.

penalty could impede extradition deals in some cases, and European concerns about U.S. data and privacy protections have complicated U.S.-EU information sharing arrangements.

Although President Obama has also indicated possible closures of other overseas detention facilities at some point, the future of U.S. policy regarding rendition, secret detention, and some types of “enhanced interrogation techniques” is not yet fully clear at this early stage of the Obama Administration. The European Parliament has been an outspoken critic of these practices. The Obama Administration has now ceased using the term “enemy combatants” in reference to Guantánamo detainees and has changed the legal basis for holding detainees from presidential authority to U.S. and international law. U.S. officials have been concerned that rendition-related criminal proceedings against CIA officials in some EU states may put vital counterterrorism cooperation between U.S. and European intelligence agencies at risk.

Lastly, although some EU member states include Hezbollah on their national lists of terrorist organizations, the EU has for years resisted adding Hezbollah to its common list, despite repeated entreaties from Members of Congress and U.S. administrations.

Climate Change¹²

The prospect of a major shift in U.S. climate change policy under the Obama administration has been welcomed by many in Europe. The debate over climate change legislation in the United States has an important impact on negotiations for a new international framework, and there will be a high degree of European and international interest in how the debate plays out.

Europe is often perceived as a global leader in climate change policy. In the 2007 Energy Policy for Europe, member states agreed to the following EU-wide targets for the year 2020: a 20% carbon emissions reduction compared with 1990 levels (increased to 30% should other developed countries agree to match such a target); a 20% increase in energy efficiency; 20% of all energy consumption from renewable sources; and 10% of transport fuel from biofuels.¹³ In December 2008, the EU approved an integrated climate and energy package that details how it plans to meet these goals. The package, which will come into force by 2011, includes binding national targets for each country. The agreement also covers the operation of the second phase of the EU Emissions Trading System (ETS), which will begin in 2013.

Over the past eight years, some European officials expressed frustration with what they viewed as the Bush Administration’s skepticism toward climate change. The Bush Administration was reluctant to agree to binding international targets on greenhouse gas emissions and energy efficiency, generally preferring to seek technological solutions instead of global regulation. Many in the Bush Administration also maintained that binding caps could hurt the U.S. economy unless they are also applied to major emitters in the developing world, most notably China and India. At the December 2007 UN climate change conference in Bali, the EU unsuccessfully attempted to

¹² For more information see CRS Report RL34513, *Climate Change: Current Issues and Policy Tools*, by Jane A. Leggett; CRS Report RL30024, *U.S. Global Climate Change Policy: Evolving Views on Cost, Competitiveness, and Comprehensiveness*, by Larry Parker and John Blodgett; and CRS Report RL34150, *Climate Change and the EU Emissions Trading Scheme (ETS): Kyoto and Beyond*, by Larry Parker.

¹³ See *An Energy Policy for Europe*, European Commission, January 10, 2007, http://ec.europa.eu/energy/energy_policy/doc/01_energy_policy_for_europe_en.pdf

persuade the United States to agree to emissions targets of as much as 40% below 1990 levels by 2020.

President Obama has set out emissions reduction targets of returning to 1990 levels by 2020, with an 80% reduction from 1990 levels by 2050. The Administration is widely expected to push Congress to adopt “cap and trade” legislation as quickly as possible.¹⁴ The progress of the U.S. debate has considerable international ramifications: many hope that the next international climate conference, scheduled for December 2009 in Copenhagen, will produce a successor to the Kyoto Protocol, which expires in 2012. The U.S. role at Copenhagen, including its ability to influence China and India on accepting binding emissions targets, will be substantially affected by whether or not new domestic legislation has been put in place beforehand. Given widespread concern about the economy, however, many feel 2009 could be a difficult year to pass such legislation, and there are growing expectations in Europe that the U.S. debate will extend into 2010. Should the U.S. adopt a “cap and trade” system, some experts have suggested the eventual combination of such a U.S. system with the EU Emissions Trading System, creating a transatlantic emissions trading, or carbon credit, market.

Economic Relations¹⁵

The United States and the European Union have the largest trade and investment relationship in the world. In 2007, the value of the two-way transatlantic flow of goods, services, and income receipts from investment totaled more than \$1.6 trillion. U.S. and European companies are also the biggest investors in each other’s markets; total stock of two-way direct investment exceeded \$2.6 trillion by the end of 2007. Although a number of policy disputes exist, the economic relationship is the bedrock of transatlantic interdependence and, comprising nearly 60% of global gross domestic product (GDP), is the most influential such relationship in the world.

With both sides facing recession, rising unemployment, and the danger of failing banks, the global financial crisis poses difficult challenges. In these circumstances, many observers are concerned about a growing temptation for leaders to adopt protectionist economic policies. Officials and experts have argued that the best way to address the crisis is for the world’s leading economies to pursue a coordinated and cooperative strategy. Although meetings about a coordinated response have been held at the EU and G-20, responses thus far have been largely national.

Transatlantic trade disputes persist over poultry, subsidies to Boeing and Airbus, hormone-treated beef, and bio-engineered food products.¹⁶ With an approaching deadline for the second stage of the U.S.-EU aviation agreement, some Europeans are concerned about the chances for U.S. mutual standards recognition of European aircraft repair stations. There is also concern in Europe about the possible economic effects of the 2007 U.S. law for ports to achieve 100% security screening for U.S.-bound containers.

¹⁴ Under a “cap and trade” (also known as emissions trading) system, companies are granted a certain number of credits or allowances for carbon emissions. Companies that wish to exceed their emission cap would purchase unused credits from other companies that have remained below their cap.

¹⁵ For more information see CRS Report RL30608, *EU-U.S. Economic Ties: Framework, Scope, and Magnitude*, by William H. Cooper and CRS Report RL34381, *European Union-U.S. Trade and Investment Relations: Key Issues*, coordinated by Raymond J. Ahearn.

¹⁶ See CRS Report R40199, *U.S.-EU Poultry Dispute*, by Geoffrey S. Becker.

U.S.-EU cooperation has been the key driving force behind efforts to liberalize world trade. While differences with countries in the developing world have been the primary reason why the Doha round of multilateral trade negotiations has stalled, the inability of the United States and EU to agree to a common position on agricultural subsidies has not helped matters.

Regulatory Cooperation and the Transatlantic Economic Council¹⁷

The United States and the EU have made a number of attempts to reduce remaining non-tariff and regulatory barriers to trade and investment. At the 2007 U.S.-EU summit, German Chancellor Angela Merkel initiated the creation of the Transatlantic Economic Council (TEC), a new institutional structure headed on both sides by cabinet/ministerial-level appointees and tasked with advancing the process of regulatory cooperation and barrier reduction.

Numerous studies have concluded that reducing regulatory burdens and harmonizing standards in areas such as safety, health, environment, engineering, and labeling could provide a significant boost to GDP on both sides of the Atlantic. Some have called for setting a target date by which to achieve an integrated transatlantic market.¹⁸ The TEC was designed to provide increased political weight for the acceleration of the technical process of regulatory convergence. Meeting twice annually and reporting to the U.S.-EU Summit, the TEC was charged with building on existing sectoral dialogues in areas such as pharmaceuticals and food, automobile, and consumer product safety, as well as reviewing policies in priority areas such as innovation, technology, financial markets, and intellectual property. Results thus far have been mixed: while the TEC agreed that both sides should pursue mutual recognition of accounting standards, it was unable to solve the poultry dispute. Although the TEC has provided a regular forum for communication on regulatory issues, some feel that it has not lived up to its initial promise and that its role has already become uncertain. Some Europeans believe the U.S. has failed to devote sufficient political commitment to the TEC. While most observers feel the TEC is still a potentially useful mechanism, some believe its future will depend in large part on the priority accorded to it under the new U.S. Administration.

To help accomplish its mandate, the TEC was directed to broaden stakeholder participation with the establishment of an advisory group that includes the Transatlantic Business Dialogue (TABD), the Transatlantic Consumers Dialogue (TACD), and the Transatlantic Legislators' Dialogue (TLD). The TLD has been the formal mechanism for engagement and exchange between the U.S. House of Representatives and the European Parliament since 1972. Although the process of transatlantic economic integration and regulatory cooperation has been largely an executive branch affair, some advocates of convergence believe that greater involvement on the part of legislatures is essential. They argue that an active and robust TLD serving as an adviser to the TEC could significantly advance the process. However, many believe that the TLD remains relatively obscure, with ambiguity regarding which U.S. Members actually belong, and no role given to the U.S. Senate. A re-structuring and re-invigoration of the TLD may help it play a more influential role in these issues.

¹⁷ For more information see CRS Report RL34735, *Transatlantic Regulatory Cooperation: A Possible Role for Congress*, by Raymond J. Ahearn and Vincent Morelli and CRS Report RL34717, *Transatlantic Regulatory Cooperation: Background and Analysis*, by Raymond J. Ahearn.

¹⁸ See, for example, James Elles, *The Transatlantic Market: A Reality by 2015?*, Transatlantic Policy Network, 2006.

Visa Waiver Program¹⁹

The U.S. Visa Waiver Program (VWP) has been a source of transatlantic discord in recent years. Although the issue has not been fully resolved, developments in late 2008 helped defuse some of the discontent on the European side.

The VWP permits travelers from participating countries to enter the United States for a maximum of 90 days without a visa. Admission to the VWP requires meeting security and passport standards and signing on to a number of information sharing arrangements. While U.S. citizens enjoy such short-term visa-free travel to all 27 countries of the EU, not all EU members are included in the U.S. VWP. The EU has sought full reciprocity based on its fundamental principle of equal treatment of all member states and their citizens. The issue has caused particular frustration in a number of central and eastern European countries, who have found themselves excluded from the VWP despite their support of the United States in Iraq and on counterterrorism. Although the EU has attempted to negotiate the VWP as an EU-U.S. matter, the United States has preferred to address the issue bilaterally with the individual countries involved.

In July 2007, Congress passed legislation (P.L. 110-53) simultaneously strengthening the program's security components and granting the Secretary of the Department of Homeland Security (DHS) authority to waive certain admission requirements. This waiver made it easier for some EU members (and other interested states) to qualify. In late 2008, seven of the twelve EU countries that had been outside the VWP were admitted to the program: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, and Slovakia. Welcoming this progress (despite the bilateral nature of the process), the European Union would still like the five member states that remain outside the VWP—Bulgaria, Cyprus, Greece, Poland, and Romania—admitted as soon as possible.²⁰ Poland remains a notable outsider given the large Polish community in the United States and the fact that it has been an ardent lobbyist for inclusion in the VWP.

Noting that terrorists with European citizenship have entered the United States on the VWP, some Members of Congress have expressed skepticism about the VWP in general because of security concerns. Other Members have been more supportive of extending the VWP to new EU members, given their roles as U.S. allies, and in the belief that the requirements for entering the VWP promote higher standards for travel and document security and increase information sharing. The recent expansion of the VWP by DHS was criticized by Members of Congress who preferred to freeze the program pending further improvements as called for in a September 2008 GAO report.²¹ Senators Dianne Feinstein and John Kyl have introduced legislation (S. 203) in the 111th Congress to strengthen security and oversight procedures of the VWP.

¹⁹ For more information, see CRS Report RL32221, *Visa Waiver Program*, by Alison Siskin.

²⁰ "European Commission Vice-President Barrot Welcomes Significant Development in Secure, Visa-Free Travel Across the Atlantic," *Delegation of the European Commission to the USA*, October 17, 2008, <http://www.eurunion.org/eu/>

²¹ U.S. Government Accountability Office, *Visa Waiver Program: Actions Are Needed to Improve Management of the Expansion Process, and to Assess and Mitigate Program Risks*, GAO-08-967, September 15, 2008.

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